

APPROVAL OF FINAL DRAFT BUDGET FOR 2019/20 AND MTREF.

1. PURPOSE

To report to the Council on Municipal Final Draft Budget 2019/20 and MTREF.

2. LEGISLATIVE FRAMEWORK

2.1 Section 24 of the Municipal Finance Management Act, 2003 (MFMA) required that “the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

An annual budget-

- a) Must be approved before the start of the financial year:
 - b) Is approved by the adoption, by the council a resolution-
 - c) Must be approved together with the adoption of resolutions as may be necessary-
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- i. Imposing any municipal tax for the budget year;
 - ii. Setting any municipal tariffs for the budget year;
 - iii. Approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - iv. Approving any changes to the municipality’s integrated development plan; and
 - v. Approving any changes to the municipality’s budget-related policies

2.2 This will allow the municipality to ensure that a credible budget is compiled.

The following is an overview of the 2019/20 Final Draft Budget and MTREF

Description	Adjustment Budget 2018/19	Draft Budget 2019/20	% Increase	Budget 2020/21	Budget 2021/22
RAND					
<u>Revenue By Source</u>					
Property rates	42 542 348	44 924 719	5,6%	47 350 654	49 907 590
Property rates - penalties & collection charges	3 480 862	3 675 790	5,6%	3 874 283	4 083 494
Service charges - electricity revenue	121 000 000	137 940 000	14%	157 251 600	179 266 824
Service charges - refuse revenue	31 600 628	33 370 263	5,6%	35 172 257	37 071 559
Service charges - other	33 932 000				
Rental of facilities and equipment	3 952 146	4 173 466	5,6%	4 398 833	4 636 370
Interest earned - external investments	891 856	941 800	5,6%	992 657	1 046 261
Interest earned - outstanding debtors	13 382 024	14 131 417	5,6%	14 894 514	15 698 818
Fines	244 800	258 509	5,6%	272 468	287 182
Licences and permits	4 799 269	5 068 028	5,6%	5 341 702	5 630 153
Transfers recognised - operational	42 033 000	54 181 000	28%	51 147 000	54 352 000
Other revenue	2 837 322	2 996 212	5,6%	3 158 007	3 328 540
Gains on disposal of PPE	4 500 000	4 752 000	5,6%	-	-
Total Revenue	305 196 255	306 413 205		323 853 976	355 308 791
<u>Expenditure By Type</u>					
Employee related costs	90 000 000	90 000 000	0,0%	95 400 000	101 124 000
Remuneration of councillors	7 200 000	8 006 400	11,2%	8 438 746	8 894 438
Debt impairment	2 432 503	2 568 723	5,6%	2 707 434	2 853 636
Depreciation & asset impairment	60 385 602	63 767 196	5,6%	67 210 624	70 839 998
Finance charges	4 000 000	4 224 000	5,6%	4 452 096	4 692 509
Bulk purchases	50 000 000	52 800 000	5,6%	55 651 200	58 656 365
Repairs & maintenance	6 000 000	19 020 000	217%	20 047 080	21 129 622
Contracted Services	13 795 000	5 000 000	-64%	5 270 000	5 554 580
Transfers and grants	29 043 000	11 274 000	-38%	11 882 796	12 524 467
Other expenditure	23 302 973	22 371 939	5,6%	23 580 024	24 853 345
Loss on disposal of PPE					
Total Expenditure	286 159 078	279 032 258		294 640 000	311 122 960
Surplus/(Deficit)	19 037 177	27 380 947		29 213 977	44 185 831

2.2 2019/20 Capital Budget has been budgeted as follows:

Source of Funding	Type	Draft Budget 2019/20 R'000	Budget 20/21 R '000	Budget 21/22 R'000
National Government	MIG	16 104	16 774	17 738
National Government	INEP	10 773	13 007	10 128
Internal Funded Projects (Service Delivery Vehicle)	Own	7 000	4 500	5 200
Total		33 833	34 281	33 066

3. OVERVIEW OF THE DRAFT BUDGET 2019/2020- 2021/2022

The total operating revenue is increased by 5,6% as compared to the prior year adjustment budget taking into account Gross domestic product (GDP) growth of 1.7% is estimated in 2019/20 and the guidelines issued by National Treasury in terms of circular No.93 & 94

The total Draft Budget has a surplus of R 27 380 947 for the 2019/20 financial year

REPAIRS AND MAINTENANCE

Repairs & maintenance (Capital Expenditure Resealing)	5 000 000
Sub Station Maintenance Project (NEP) Agreement Between IYM and Nersa	7 000 000
TOTAL	12 020 000

TRANSFER AND GRANTS

Transfer Recognised Operational (EPWP,FMG & DSRAC)	11 274 000
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TOTAL

11 274 000

TRANSFER RECOGNISED OPERATIONAL

Equitable Share	42 907 000
FMG	2 680 000
EPWP	1 284 000
Library Grant	2 510 000
(DEDEAT)	3 000 000
MSIG	1 800 000
TOTAL	54 181 000

3.1 Budget Policy Parameters

- 3.1.1 Employee costs will be limited to 31.2% of our operating budget.
- 3.1.2 Electricity tariffs will increased by 14% whist Eskom will be increasing their tariff by 13%.
- 3.1.3 The District Municipality will increase water tariffs by 6 %.
- 3.1.4 Repairs and Maintenance will be 6.8% of the expenditure.
- 3.1.5 The internal generated budget for Capital amounts is R7M will be utilised to purchase service delivery vehicle.
- 3.1.6 Budget has made provision for Salary Increment of 6.5%.
- 3.1.7 Our collection rate has increased from 68% to 86 % and we anticipate to increase our collection rate to 90% for this forthcoming financial year.
- 3.1.8 IYM will intensify this Clean Ward Competition". The program will be implemented in 2019/20 Financial Year and Community Service will develop terms of reference through funding from DEDEAT
- 3.1.9 Lunch of Operation "Bhatala" that will be driven by incentive Policy. Purpose of this lunch is to encourage our community in paying historical debt.
- 3.1.10 Overtime will be cut by 70%.
- 3.1.11 Expenditure on flights will also be cut by 50%
- 3.1.12 Contracted Services will be reduced from R 13 795000 to R 5 000 000.
- 3.1.13 S&T will be cut by 80%
- 3.1.14 Purify our indigent register will completed by 30 September 2019
- 3.1.15 Electricity Losses will be reduced to 9%
- 3.1.16 Accommodation will be reduced by 80%
- 3.1.17 All Critical Vacant Positions that are affected by contracted services should be filled before 30 June 2019.
- 3.1.18 All S&T, Flights and Accommodation will be pre-approved by Accounting Officer before any expenditure to be incurred
- 3.1.19 Fuel Expenditure will be reduced by 50%

1. RECOMMENDATIONS

Therefore, it is recommended that:

- 4.1 Council to approve final draft Integrated Development Plan.
- 4.2 Council to approve final Draft Budget for 2019/20 and MTREF and Budget Relate.
 - 4.3 Council Approve the following budget related policies; (*Note there are no changes from policies that were approved during Draft Budget 2019/20 all members are urged to use the budget related policies files that were distributed in the March Council Meeting*)**
 - 4.3.1 Draft Inventory Management Policy 2019/20
 - 4.3.2 Draft Credit Control and Debt Collection Policy 2019/20
 - 4.3.3 Draft Virement Policy 2019/20
 - 4.3.4 Draft Cash Management and Investment Policy 2019/20
 - 4.3.5 Draft Supply Chain Management Policy 2019/20
 - 4.3.6 Draft Unauthorized, Irregular, Fruitless and Wasteful Expenditure 2019/20
 - 4.3.7 Draft Budget Policy 2019/20
 - 4.3.8 Draft Asset Management Policy 2019/20
 - 4.3.9 Draft Property Rates Policy 2019/20
 - 4.3.10 Draft Grant Policy 2019/20
 - 4.3.11 Draft Indigent Policy 2019/20
 - 4.3.12 Draft Tariff Policy 2019/20
 - 4.3.13 Draft Debtors Impairment and Write-Off Policy 2019/20
 - 4.3.14 Draft Funding and Reserve Policy 2019/20
 - 4.3.15 Draft TARIFF BY-LAW IYM 2019-20
 - 4.3.16 Draft Debt Collection and Credit Control By-Law 2019/20
 - 4.3.17. Draft Fleet Management Policy 2019/20
 - 4.3.18 4,3,18 Draft Debt Collection Incentive Policy 2019/20
- Debt incentive policy to be tabled on Council for noting for Public Participation to invite comments for approval in the next meeting.
- Rollover Application of R 2 500 000 should be sent to Cogta offices before end of June 2019
- 4.4 Cognizance be taken of the operations budget schedules and the capital budget schedules attached as Annexure “A” referred to as A-Schedule.**
- 4.5 Cognizance be taken of MFMA Circular No.93 & 94 issued by National Treasury
- 4.6 Council to Approval Proposed Final Draft Tariff Structure of 2019/20 Financial Year.